MINUTES
of the
SIXTH MEETING
of the
JOBS COUNCIL

November 8, 2013
Santa Fe Community Convention Center
Santa Fe

The sixth meeting of the Jobs Council (council) was called to order by Representative W. Ken Martinez, co-chair, on November 8, 2013 at 10:28 a.m. at the Santa Fe Community Convention Center in Santa Fe.

Present
Rep. W. Ken Martinez, Co-Chair
Sen. Mary Kay Papen, Co-Chair
Ray M. Baca
Rep. Donald E. Bratton
Terry Brunner
Beverlee J. McClure
Rep. Rick Miera
Rep. Debbie A. Rodella

Absent
Sen. Phil A. Griego
Sen. Stuart Ingle
Sen. Michael S. Sanchez

Advisory Members
Rep. Mary Helen Garcia
Rep. Stephanie Garcia Richard
Sen. Michael Padilla
Rep. James P. White

Sen. William F. Burt
Sen. George K. Munoz
Sen. John C. Ryan
Rep. Thomas C. Taylor

Guest Legislators
Rep. Roberto "Bobby" J. Gonzales
Sen. Timothy M. Keller
Rep. Larry A. Larrañaga
Rep. Dennis J. Roch
Rep. Luciano "Lucky" Varela

Staff
Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)
Raúl E. Burciaga, Director, LCS
Monica Ewing, Staff Attorney, LCS

Guests
The guest list is in the meeting file.

Handouts

Handouts and other written materials are in the meeting file.

<u>Friday, November 8</u>

Welcoming Remarks

David Coss, mayor of Santa Fe, welcomed those present to the Santa Fe Community Convention Center and thanked the council for its work on economic development and job creation in New Mexico.

Minutes

The council, without objection, approved the minutes of the fifth council meeting.

Review of Process and Past Meeting Results; Introduction to Session Six

Mark Lautman, lead program consultant to the council, briefly discussed the council's work in its five previous meetings. He reiterated the council's goal — to develop a framework for ranking job-creation initiatives — and the process the council is following to achieve that goal. He added that while statewide job creation is a central concern for the council, the council's work has involved representatives of the councils of government because barriers to job creation are more easily identified and addressed at the county level.

Mr. Lautman stated that the council had estimated that 162,000 jobs would need to be created in the next 10 years to bring the state back to its 2007 employment levels. Because there are regional factors of production gaps in many employment sectors, the council has focused much of its work on identifying and ranking factors of production that, if unresolved, could prevent successful job creation. The two most pressing obstacles to job creation identified by the council are a lack of skilled workers and insufficient broadband infrastructure.

At previous meetings, the council worked to identify procuring agents who could be responsible for job creation in various employment sectors. Mr. Lautman added that the council discussed whether existing procuring agents have adequate staffing and resources to accommodate additional job-creation efforts, such as those contemplated by the council.

Mr. Lautman said that the day's goal was to select criteria that could be used by a legislator when considering how and whether to support economic development initiatives and programs. The council members and attendees were seated at tables representing various employment sectors.

Legislative Job-Creation Priorities — Determining Weighted Criteria

Participants received worksheets on which six sample criteria were listed, and Mr. Lautman asked each group to discuss the criteria and decide whether any criteria should be added or removed. He explained the six criteria as follows:

1. Number of Economic-Base Jobs at Stake. If a given initiative is not undertaken, how many jobs will not be created?

2. Procuring Agent in Place with Jobs/Transaction Metrics. Is there a person or agency that can receive funds and take action to create jobs?

3. Strategic Value Level, High-Value Target. What is the value of the jobs at stake? Sometimes higher value is placed on high-paying jobs; however, in some cases, an area may not have a qualified work force to fill certain high-paying jobs.

4. Leverage of Collateral Resources. Is there any other entity that will contribute money to the particular initiative? What will the impact on the initiative be if legislative or other funding is not appropriated?

5. Time Horizon Value. For example, if an initiative is related to early childhood education, the impact on the job market could take place as many as 20 years in the future.

6. Return on Investment Budget Impact. Consider how much money will be contributed and the number of jobs that will likely result from the investment.

Framework for Evaluating Job-Creation Initiatives — Breakout Session by Economic-Base Sector

After the groups discussed the proposed criteria, Tim Karpoff, facilitator for the council, asked the council members and attendees to report the results of their discussions.

The first group reported the following.

- The first criterion is important and should be included.
- The second criterion should be labeled "quality of jobs".
- Discussion of the third criterion included consideration of return on investment.
- Discussion of the fourth criterion related to procuring agents and considered whether procuring agents should be "economic development agents" throughout the state.
- The group believed it is important to understand the time horizon of a given initiative.
- The group discussed investment at length and also considered whether tax dollars would be raised.

The second group's representative noted that Legislative Finance Committee staff members are working to analyze economic development expenditures on a cost-per-job basis. He added that it is difficult to calculate those costs, but it is a worthwhile effort.

The third group's representative reported the following.

- With respect to the fourth criterion, it is important to have an understanding of how various sources of funding can be used together.
- With respect to timing and the fifth criterion, the group supported including a consideration of the term or time line of a project.
- The group decided to add a seventh criterion that would consider major development gaps related to work force and housing infrastructure.

The fourth group's representative reported that, with respect to the third criterion, it could be helpful to add justification as to why an initiative aims to solve a problem in a certain way.

The fifth group's representative reported that the group was generally supportive of the list of criteria, which could be a helpful tool for policymakers. The group discussed the importance of considering the outcome of *not* pursuing particular initiatives, in addition to considering the outcome of supporting an initiative. The group also suggested that it is important to consider whether a project makes use of existing talent in a community. Finally, the group emphasized addressing the populations that experience chronic joblessness in many communities in the state.

There was some discussion among participants following the reports. One participant noted that even if a particular initiative under consideration is not directed at work force development, it should still be considered if the initiative could indirectly enhance the skill set of workers in the state. Another participant commented that his group struggled with the fact that building economic development infrastructure, like the Spaceport, might not immediately produce jobs, but it is nevertheless an important development. His group discussed how to map infrastructure projects that could provide jobs outside of the 10-year time frame.

Mr. Lautman noted that if policymakers are trying to solve problems — such as a shortage of nurses — through legislation that supports educational programs at the state's universities, it could be helpful to be able to relate the legislation to the number of jobs at stake. Because of the documented shortage of nurses in the state, an initiative that addresses the shortage could receive higher priority because of its connection to a great number of jobs.

Mr. Lautman explained a graphic representation of three strategic approaches to job creation, over which communities and policymakers have varying levels of control. The first approach uses traditional programs, and policymakers have a high level of influence and ability to direct those programs. A second approach relates to "outlier" sectors for which no existing program or procuring agent exists. With respect to those sectors, policymakers might consider whether new programs could address those unmanaged outlier sectors to produce jobs. The third approach relates to unmanaged sectors for which no procuring agents exist and for which growth and job creation happen organically. He added that some percentage of job creation in the state will take place independent of any actions taken by policymakers.

Mr. Karpoff asked participants to assess what percentage of job creation in each employment sector might happen through an organic process and what percentage might come about only through initiatives that support existing programs or new programs. Mr. Lautman asked the groups to be prepared to describe any new programs contemplated.

After deliberations, representatives from each table reported the following percentages with respect to various economic sectors:

- **back-office services:** 90% of new jobs created through traditional programs and 10% of new jobs created organically;

- **integrated information technology:** 10% of new jobs created through traditional programs, 20% of new jobs created through new programs and 70% of new jobs created organically;

- **exported services and solo work:** 30% of new jobs created through new programs and 70% of new jobs created organically;

- **health and social services:** 60% of new jobs created through new programs and 40% of new jobs created organically;

- **government:** 20% of new jobs created through traditional programs and 80% of new jobs created organically;

- **education:** 10% of new jobs created through traditional programs, 40% of jobs created through new programs and 50% of new jobs created organically;

- **emerging technologies:** 10% of new jobs created through traditional programs, 25% of new jobs created through new programs and 65% of new jobs created organically;

- **manufacturing:** 67% of new jobs created through traditional programs and 33% of new jobs created organically;

- **digital media:** 90% of new jobs created through traditional programs, 5% of new jobs created through new programs and 5% of new jobs created organically;

- **visitor-driven:** 60% of new jobs created through traditional programs, 30% of new jobs created through new programs (specifically, international tourism programs focused on China, Mexico and Canada) and 10% of new jobs created organically;

- **extractives:** 10% of new jobs created through traditional programs, 40% of new jobs created through new programs (specifically, in the uranium industry) and 50% of new jobs created organically. Mr. Lautman noted that the group would need to consider what procuring agent would be responsible for procuring 40% of the new jobs through newly created programs; and

- **agriculture, food and forestry:** 10% of new jobs created through traditional programs, 50% of new jobs created through new programs and 40% of new jobs created organically.

Mr. Lautman explained that this exercise was intended to help the attendees think strategically about what initiatives will leverage job creation. He added that the afternoon discussion would focus on what actions might need to be taken to bolster traditional programs and encourage job creation.

Framework for Evaluating Job-Creation Initiatives — Breakout Session by Investment Category

For the afternoon's deliberations, the room was reorganized into groups representing various factors of production gaps. Mr. Lautman asked the groups to deliberate on and think about actions the legislature might take through investments or program initiatives to contribute to job creation, and he asked them to address the following eight crucial factors of production gaps:

1. utilities;
2. bandwidth/broadband access;
3. transportation;
4. work force;
5. land and building inventory;
6. housing;
7. capital; and
8. tax and regulatory issues.

If a group identified a potential solution to a factor of production gap, Mr. Lautman asked that the group complete a worksheet entitled "Legislative Action Format" and include a proposed name for the initiative, a potential sponsor for the initiative and the relevant economic sectors. The worksheet also provided space for attendees to rank the proposed initiative based on the six criteria discussed during the morning sessions.

After the groups deliberated, Mr. Karpoff asked the council members and attendees to report on their discussions and present one suggestion with respect to each factor of production gap. The groups reported the following suggestions:

- **housing:** form a housing consortium;

- **tax and regulatory issues:** develop a way to evaluate the effectiveness and efficiency of proposed changes to regulations;

- **utilities:** implement a streamlined process for adjudication of water rights;

- **work force:** arrange for work force and education organizations and the Higher Education Department and the Public Education Department to collaborate and align work force needs with educational programs;

- **bandwidth/broadband access:** provide funding and direction to expand the feasibility of deployment of broadband throughout the state; and consider legislation that would require telecommunications companies to provide access for local communities;

- **transportation:** consider policy initiatives similar to those in Colorado, Utah, Arizona, Texas and Mexico, some of which relate to weight-distance taxes (the Department of Transportation notes that large trucks are causing significant wear to roads, and simply requiring additional axles on trucks could alleviate that problem through better weight distribution); consider the effect of rail access in New Mexico being eliminated if the state does not meet the rail system's needs; invest in infrastructure; build another port of entry between New Mexico and Mexico; and consider a tax like Oregon's, which is based on miles traveled per vehicle; and

- **capital:** invest in more infrastructure, including roads and water; create a closing fund for traditional programs and new programs; consider gap funding; and provide the State Investment Council with $10 million to make loans or grants to encourage businesses to stay in the state.

Prior to the second afternoon deliberative session, Mr. Lautman explained that he contacted economic development entities throughout the state to determine the number and caseload capacity of the state's existing procuring agents. Based on the council's job-creation estimates and his research, it appears that there is an insufficient number of procuring agents who could contribute to creating 162,000 new jobs. He added that, in the past few years, there has been a decline in the number of people doing economic development work and this trend would have to be changed in order to ensure adequate job creation in the state.

The meeting was reorganized, and participants divided into four groups focused on: existing economic development; tourism; incubators and start-up enterprises; and outliers (for which procuring agents do not exist). The four groups deliberated and then reported the results of their discussions.

Outliers: This group reported that it discussed solo workers and comfort vacations and potential Economic Development Department and Tourism Department campaigns. The group noted that the state needs 3,600 new solo-worker jobs, and if the state could "recruit" 1% of approximately 360,000 visitors to the state, 3,600 jobs could be created. The group estimated that it could cost $10,000 per job created and suggested that recruitment efforts could be made through "solopreneur" job fairs.

Incubators and Start-Up Enterprises: This group supported the idea of aligning emerging technology start-up enterprises with certified business incubators that could provide assistance. A cap could be placed on the amount of money and the amount of time each enterprise receives during its time in the incubator program. The group suggested providing funding for existing incubators, which would be responsible for administering this program.

Tourism: This group reported that there is a need for increased funding to support marketing of the state. The group discussed development of an online hospitality program, funded through the Tourism Department, to make entry-level tourism job training more accessible.

Existing Economic Development: This group developed four recommendations: 1) re-create a cooperative advertising program and adopt the approach used for tourism in the state; 2) increase regionalization of communities to improve leveraging of tourism dollars; 3) increase funding for New Mexico Partnership; and 4) fund a job-creation and closing fund.

Following the groups' reports, an attendee noted that she was impressed with the number of legislators who attended council meetings and showed an investment in job creation. Another attendee suggested that the state should emulate the approach used successfully by the Tourism Department.

Adjournment

There being no further business before the council, the sixth meeting of the Jobs Council for the 2013 interim adjourned at 3:59 p.m.